



**A Report to the  
Audit Committee**

**Mayor**  
David Briley

**Department of Human  
Resources Director**  
Shannon Hall

**Audit Committee Members**  
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Internal Audit

**Audit of EEOC Form 164, State and  
Local Government Information  
(EEO-4) Reporting**

April 5, 2019

# Audit of EEOC Form 164 State and Local Government Information (EEO-4) Reporting

## EXECUTIVE SUMMARY

April 5, 2019



### Why We Did This Audit

The audit was performed due to concerns around the accuracy and integrity of diversity reporting raised by Council Member Fabian Bedne.

### What We Recommend

- Create documented procedures for the collection, recording, and reporting of EEO-4 required data.
- Establish procedures to review and confirm the accuracy of employee data.

## BACKGROUND

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Public Law 88-352, Title VII of the Civil Rights Act of 1964, as amended by the Equal Employment Opportunity Act of 1972, requires state and local governments to biennially report ethnicity, gender, job category, and salary information for all active employees. Based on these laws, the U.S. Equal Employment Opportunity Commission (EEOC) established Form 164 for state and local governments to report the required information. In total, the biennial filing is known as the EEO-4 report. Reporting of such information is to help ensure transparency in hiring and maintaining a diverse workforce. The EEOC establishes strict instructions on the categories to be used and how they are reported.

The Metropolitan Nashville Government's Department of Human Resources is responsible for ensuring the collection and reporting of required EEO-4 information. Reporting for Metropolitan Nashville Government does not include employees of Metropolitan Nashville Public Schools or any other independently managed authorities and agencies. For the 2017 and 2015 EEO-4 reporting periods, Metropolitan Nashville Government reported the required information for 9,669 and 9,289 employees respectively.

## OBJECTIVES AND SCOPE

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The objectives of this audit are to determine if:

- Controls are in place to ensure the data listed on the EEO-4 reports are accurate.
- Metropolitan Nashville Government's EEO-4 reporting complies with EEOC guidelines.

The audit scope included EEO-4 reporting periods ending June 30, 2015, and June 30, 2017.

## WHAT WE FOUND

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The Department of Human Resources filed the 2015 and 2017 EEO-4 reports in a timely manner. Overall the reporting was well managed, accurate, and provided the staff tools needed to perform their duties.

However, a small number of employees who chose not to self-identify gender or ethnicity were not included in either of the EEO-4 reports. There were a few cases where inconsistent ethnicity data was noted between the EEO-4 reports and supporting documentation. Also, documented procedures were not in place to guide the Department of Human Resources' personnel in the preparation and submission of the EEO-4 reports outside of the instructions provided by the EEOC.

## **GOVERNANCE**

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The U.S. Equal Employment Opportunity Commission (EEOC) is responsible for enforcing federal laws that make it illegal to discriminate against a job application or an employee because of the person's race, color, religion, sex, national origin, age, disability, or genetic information. Public Law 88-352, Title VII of the Civil Rights Act of 1964, as amended by the Equal Employment Opportunity Act of 1972, requires EEO-4 reporting of gender and ethnicity information.

## **GENERAL INFORMATION**

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The EEOC requires all employees to be reported within the EEO-4 report. The EEOC informs employers that the preferred way to collect employee demographic information is by allowing employees to self-identify. Within the Metropolitan Nashville Government, self-identification is typically done during the application or on-boarding process through optional EEOC questions. Department of Human Resources pulls these responses from NeoGov or other documentation after the employee is hired. These responses are input into the Metropolitan Nashville Government's JD Edwards EnterpriseOne system. Should an employee choose not to self identify, the EEOC recommends the employer record a visual observation or seek alternative methods to obtain the data.

The Department of Human Resources does not alter the gender and ethnicity designations self-reported by the employee. Should the EEOC list new ethnicities or other reporting options, the Department of Human Resources will notify employees and allow employees to change their demographic information. For the reporting period ending June 30, 2017, the EEOC added ethnic categories for employees to elect. The Department of Human Resources sent out an optional survey for employees to change their recorded ethnicity. Surveys received back were input into the JD Edwards EnterpriseOne system.

For each EEO-4 reporting period, demographic information is exported from the JD Edwards EnterpriseOne system and summarized based on the EEOC reporting instructions. The summarized information is then entered into the EEOC website for EEO-4 reports. Other Metropolitan Nashville Government departments, such as the Human Relations Commission, also utilize the demographic information for public reporting and research.

## OBJECTIVE QUESTIONS AND CONCLUSIONS

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1. *Are controls in place to gain reasonable assurance the data listed on the EEO-4 reports are accurate?*

**Generally yes.** Detailed testing of sampled employees showed the majority of gender and ethnicity source documentation agreed to data in JD Edwards EnterpriseOne. However, some instances of missing or conflicting supporting documentation were noted. Of the 63 sampled employees, 2 employees had supporting documentation showing a different ethnicity selected, and 3 employees had no supporting documentation for the JD Edwards EnterpriseOne designations. Without supporting documentation, the accuracy of the demographic information could not be determined.

Also, employees who did not disclose the voluntary EEOC information were not reported in the 2015 and 2017 EEO-4 filings. The number of employees unreported was non-material; however, the EEOC requires reporting of all employees under the EEO-4 guidelines. (See Observation A.)

2. *Is the EEO-4 reporting process in compliance with EEOC guidelines?*

**Generally yes.** The 2015 and 2017 EEO-4 reports were filed with the EEOC within the required timeframe. However, the Department of Human Resources has no documented procedures around EEO-4 information collection, recording, or reporting. Lack of documentation increases the risk of inaccurate filing in future periods. (See Observation B.)

## AUDIT OBSERVATIONS

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Internal control helps entities achieve important objectives and sustain and improve performance. The Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control – Integrated Framework (COSO)*, enables organizations to effectively and efficiently develop systems of internal control that adapt to changing business and operating environment, mitigate risks to acceptable levels, and support sound decision making and governance of the organization. The audit observations listed are offered to assist management in fulfilling their internal control responsibilities. See Appendix B for a description of the observation *Assessed Risk Rating*.

### ***Observation A – Recording and Reporting Discrepancies***

JD Edwards EnterpriseOne’s employee data has some inaccuracies and contains some unsupported employee information. Detailed testing of 63 randomly or judgmentally selected employees reported on the 2015 and 2017 EEO-4 reports found the following discrepancies:

- Two employees’ ethnicities were inconsistent with supporting documentation. Supporting documentation filled out by the employee stated ethnicities that were not accurately reported in JD Edwards EnterpriseOne.
- Three employees had no supporting documentation for their ethnicity. The employees were hired in 2014 and 2015. No supporting documentation was found within the employee’s personnel file or on a NeoGov application. Thus, the accuracy of the JD Edwards EnterpriseOne recorded information could not be determined.

These exceptions represent an eight percent error rate within the sample tested.

Department of Human Resources does not report employees that choose to forego self-identification. The EEOC requires employers to report the required information for all employees. Should an employee choose not to self-identify their gender or ethnicity, the EEOC offers alternative ways to make these determinations. Although not material in nature, the following is noted since the EEOC requires reporting of all employees. Our review of the 2015 and 2017 EEO-4 reported data as a whole noted the following:

- For the 2015 EEO-4 reporting period, 48 employees had ethnicities listed as “unknown” in JD Edwards EnterpriseOne and were not reported in the EEO-4 filing.
- For the 2017 EEO-4 reporting period, 57 employees had ethnicities listed as “unknown” in JD Edwards EnterpriseOne and were not reported in the EEO-4 filing.

#### *Criteria:*

*COSO*, Control Activities–Principle 10–The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

#### *Assessed Risk Rating:*

**Medium**

*Recommendations for management of the Department of Human Resources to:*

1. Determine procedures to review or confirm the accuracy of employee demographic information recorded within JD Edwards EnterpriseOne.
2. Establish a methodology for determining demographics for employees who choose not to self-identify federally required information. The improvements should be incorporated into the procedures noted in Observation B.

***Observation B –Lack of Comprehensive Procedures***

The EEOC provides strict instructions on the information to report, the categorization, the report timing, and some documentation guidance. However, beyond what is provided by the EEOC, the Department of Human Resources does not have documented procedures detailing the current steps required to collect or to generate the EEO-4 report.

JD Edwards EnterpriseOne is the designated source of employee information for reporting. However, procedures for how the system data is collected are not documented. There are various potential sources of employee information, and how it is reported to the Department of Human Resources is not clear.

Additionally, the employee that generates the information from JD Edwards EnterpriseOne is a long term employee that does not require instruction, but if turnover occurred, it could prove difficult for another employee to perform this task. Also, the employee designated to enter EEO-4 data into the EEOC website changes due to turnover and length of time between reporting periods. However, it should be noted that Metro is in the middle of migrating to a new enterprise wide Oracle eBusiness Suite replacing Metro’s current JD Edwards EnterpriseOne system. As part of this new platform, Oracle eBusiness Suite will include reporting that will largely automate EEO-4 reporting.

*Criteria:*

*COSO, Control Activities–Principle 10–The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.*

*Assessed Risk Rating:*

**Low/Emerging Issue**

*Recommendation for management of the Department of Human Resources to:*

Create procedures detailing the required steps for employee information collection, EEO-4 summarization, and EEO- 4 form data entry.

## **GOVERNMENT AUDITING STANDARDS COMPLIANCE**

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We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

## **METHODOLOGY**

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To accomplish our audit objectives, we performed the following steps:

- Interviewed Department of Human Resources personnel, Human Resources Coordinators within departments, and EEOC staff.
- Reviewed and analyzed documentation for compliance with EEOC Form 164, State and Local Government Information (EEO-4) Reporting.
- Evaluated internal controls currently in place.
- Reviewed sample selections to determine the effectiveness of internal controls.
- Considered risk of fraud, waste, and abuse.
- Considered information technology risks.

## **AUDIT TEAM**

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Jim Carson, CIA, CFE, Auditor-in-Charge

Lauren Riley, CPA, CIA, ACDA, Quality Assurance

Mark Swann, CPA, CIA, CISA, ACDA, CMFO, Metropolitan Auditor

C. David Briley  
MAYOR



**Metropolitan Government of Nashville and Davidson County**

Human Resources Department  
404 James Robertson Pkwy.  
Suite 1000  
Nashville, TN 37219

April 5, 2019

Mark Swann, Metropolitan Auditor  
Metropolitan Nashville Office of Internal Audit  
404 James Robertson Parkway, Suite 190  
Nashville, TN 37219

Dear Mr. Swann:

This letter is to inform you that the Metropolitan Government of Nashville & Davidson County Human Resource Department has received the Audit Draft Report and Management Response Matrix issued by the Office of Internal Audits. We have completed the Management Response Matrix, which is attached.

Our staff appreciates the findings in the report and anticipate a timely implementation of the recommendations contained within the report. We acknowledge the discoveries of your team and have begun the process of implementing the recommendations as noted in the Management Response Matrix.

The audit has been a positive experience for Metropolitan Government of Nashville & Davidson County Human Resource Department.

If further information is needed, please advise.

Thank you,

A handwritten signature in black ink, appearing to read "Shannon Hall".

Shannon Hall  
Human Resources Director  
Metropolitan Government of Nashville & Davidson County

## APPENDIX A – MANAGEMENT RESPONSE AND ACTION PLAN

We believe that operational management is in a unique position to best understand their operations and may be able to identify more innovative and effective approaches and we encourage them to do so when providing their response to our recommendations.

Recommendations	Concurrence and Action Plan	Proposed Completion Date
<i>Recommendation for management of the Department of Human Resources to:</i>		
<p><b>A.1</b> Determine procedures to review or confirm the accuracy of employee demographic information recorded within JD Edwards EnterpriseOne.</p> <p><i>(Risk: Medium)</i></p>	<p><b>Accept</b> - Human Resources (HR) has begun creating procedures to guide the HR Coordinators of Metro Nashville departments in reviewing and confirming employee demographic information. Procedures will address both the current JD Edwards EnterpriseOne system and the new, more automated platform, Oracle eBusiness Suite.</p>	06/01/2019
<p><b>A.2</b> Establish a methodology for determining demographics for employees who choose not to self-identify federally required demographic information.</p> <p><i>(Risk: Medium)</i></p>	<p><b>Accept</b> - Human Resources (HR) has begun creating procedures to guide the HR Coordinators of Metro Nashville departments in determining demographics for those employees that chose not to self-identify. These procedures will incorporate the recommendations provided by the EEOC for identifying demographics when an employee has not done so otherwise.</p>	06/01/2019
<p><b>B.</b> Create procedures detailing the required steps for employee information collection, EEO-4 summarization, and EEO- 4 form data entry.</p> <p><i>(Risk: Low/Emerging Risk)</i></p>	<p><b>Accept</b> - Human Resources (HR) has begun creating procedures to guide the HR Coordinators of Metro Nashville departments in the collection process of necessary EEO4 reporting data. HR has begun creating procedures to guide the responsible HR staff in summarization and data entry requirements specific to the parameters of the current JD Edwards EnterpriseOne system and the new, more automated platform, Oracle eBusiness Suite.</p>	06/01/2019

## APPENDIX B – ASSESSED RISK RANKING

Observations identified during the course of the audit are assigned a risk rating, as outlined in the table below. The risk rating is based on the financial, operational, compliance or reputational impact the issue identified has on the Metropolitan Nashville Government. Items deemed “Low Risk” will be considered “Emerging Issues” in the final report and do not require a management response and corrective action plan.

Rating	Financial	Internal Controls	Compliance	Public
<b>HIGH</b>	Large financial impact >\$25,000  Remiss in responsibilities of being a custodian of the public trust	Missing, or inadequate key internal controls	Noncompliance with applicable Federal, state, and local laws, or Metro Nashville Government policies	High probability for negative public trust perception
<b>MEDIUM</b>	Moderate financial impact \$25,000 to \$10,000	Partial controls  Not adequate to identify noncompliance or misappropriation timely	Inconsistent compliance with Federal, state, and local laws, or Metro Nashville Government policies	Potential for negative public trust perception
<b>LOW/ Emerging Issues</b>	Low financial impact <\$10,000	Internal controls in place but not consistently efficient or effective  Implementing / enhancing controls could prevent future problems	Generally complies with Federal, state, and local laws, or Metro Nashville Government policies, but some minor discrepancies exist	Low probability for negative public trust perception
<b>Efficiency Opportunity</b>	An efficiency opportunity is where controls are functioning as intended; however, a modification would make the process more efficient			